

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01

PRS-01 /101 W

----- 021928

R 210515Z OCT 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9103

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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DEPT PLEASE PASS TO USBURMINES, USGS

EO 11652: NA

TAGS: EINV, ENRG, IN

SUBJ: TERMS REACHED FOR GOI TAKEOVER OF CALTEX INDIA

REF: NEW DELHI 6431

1. FOLLOWING A SERIES OF NEGOTIATIONS BETWEEN THE GOVERNMENT OF INDIA AND CALTEX, WHICH BEGAN EARLIER THIS YEAR, TERMS HAVE FINALLY BEEN REACHED BETWEEN THE TWO PARTIES FOR A 100 PERCENT ACQUISITION OF CALTEX EFFECTIVE JANUARY 1, 1977. A MEMORANDUM OF UNDERSTANDING TO THIS EFFECT HAS BEEN ISSUED BY THE GOI WHICH IS TO BE FOLLOWED BY THE SIGNING OF A FORMAL AGREEMENT NOVEMBER 30, 1976.

2. A SUM OF RS 130 MILLION IS TO BE PAID CALTEX

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PETROLEUM, USA, FOR ITS REFINERY AND MARKETING ASSETS

AND OPERATIONS IN INDIA. THIS INCLUDES CALTEX OIL REFINERY (INDIA) LTD., REGISTERED IN INDIA IN 1955 AND CALTEX (INDIA) TED., THE MARKETING COMPANY INCORPORATED IN THE BAHAMAS IN 1937. ACCORDING TO THE CALTEX PREPRESENTATIVE, PAYMENT IS TO BE MADE IN US DOLLARS IN FIVE INSTALLMENTS WITH THE FIRST PAYMENT OF RS 90 MILLION DUE 90 DAYS FROM THE SIGNING OF THE AGREEMENT. THIS IS TO BE FOLLOWED BY FOUR ANNUAL INSTALLMENTS OF RS 1 MILLION PLUS INTEREST AT 8 PERCENT TAX FREE. HOWEVER, ACCORDING TO THE MEMORANDUM OF UNDERSTANDING, PROFITS FROM CLATEX OPERATIONS IN INDIA FOR THE YEAR 1976 WOULD ACCRUE TO THE GOI.

3. CALTEX HAS AGREED TO SUPPLY UP TO 1.25 MILLION METRIC TONS (MT) OF CRUDE PER ANNUM FOR THE NEXT FIVE YEARS AT PREVAILING COMMERCIAL RATES. HOWEVER, THE GOI MUST EXERCISE THIS OPTION IN FEBRUARY AND NOVEMBER OF EACH YEAR.

4. THE OIL INDUSTRY DEVELOPMENT FUND HAS ALSO ALLOCATED RS 6 MILLION FOR MODIFICATIONS TO THE CALTEX REFINERY AT VISHAKHAPATNAM FOR PROCESSING BOMBAY HIGH WAXY CRUDE. THE REFINERY IS CURRENTLY OPERATING AT A LEVEL OF ABOUT 1.1 MILLION MT PER ANNUM, BUT IS CAPABLE OF HANDLING UP TO 1.6 MILLION MT.

5. NEGOTIATIONS ARE NOW UNDERWAY FOR THE TAKEOVER OF THE ASSAM OIL COMPANY AND BURMAH OIL'S (UK) 50 PERCENT SHARE IN OIL INDIA LTD. AFTER THEIR TAKEOVER THE GOI WILL HAVE COMPLETE CONTROL OVER THE OIL SECTOR ENABLING IT TO RESTRUCTURE AND REORGANIZE THE REFINING AND MARKETING FACILITIES WITH A VIEW TOWARDS OPTIMUM UTILIZATION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: vogelfj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976NEWDE15463
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760395-0149
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761029/aaaaaylf.tel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 NEW DELHI 6431
Review Action: RELEASED, APPROVED
Review Authority: vogelfj
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUN 2004 by buchant0>; APPROVED <08 OCT 2004 by vogelfj>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TERMS REACHED FOR GOI TAKEOVER OF CALTEX INDIA
TAGS: EINV, ENRG, IN, CALTEX
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006